

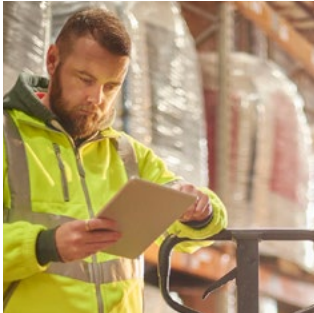


The Turnover Crisis in Manufacturing:

AN ACTION PLAN FOR HR & FINANCE LEADERS



56
the average age of a
highly-skilled worker.⁴



MANUFACTURING IS LOSING TALENT

In 2018, employee turnover in manufacturing reached nearly 33%—that’s an increase of 9% in the past five years.¹ And it’s not expected to improve—80% of manufacturers are worried about meeting workforce demands over the next five years²

THERE’S A SKILLED LABOR SHORTAGE

As Baby Boomers leave the workforce and take valuable skills with them, it’s expected that nearly 3.5 million manufacturing jobs will open up by 2025. Two million of those jobs are expected to go unfilled because of the skills gap.³

MANY ORGANIZATIONS DON’T HAVE A PLAN

Employees with specialized skill sets are hard to find and the scarcity of candidates makes positions hard to fill. While mechanization and automation have taken over vast areas of manufacturing, skilled workers are still needed throughout the manufacturing process.

Sources: (1, 7) U.S. Bureau of Labor Statistics (2, 5, 8) Tooling U-SME Millennial survey, 2018 (3, 6) Deloitte/Manufacturing Institute study (4) U.S. Department of Labor (9) AARP

The negative effects of turnover

Morale and Profit:

The longer positions go unfilled, the more the production process is disrupted. Company morale starts to decline and manufacturers see profits dip as they're unable to operate at full capacity. Employee turnover costs manufacturers hundreds of thousands if not millions of dollars annually.⁵

Stunted Industry Growth:

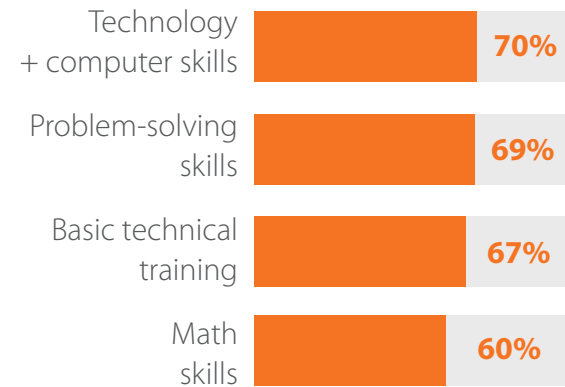
Manufacturers already feel the pressure to fill open positions and the exodus of skilled labor doesn't help. Automation and robotics may help fill the labor gap, but HR still needs to find humans to problem solve, analyze issues and manage output. The skills gap holds manufacturers back from growing and threatens the future of the industry.

Difficult Recruiting:

If you're trying to recruit in the manufacturing industry, you're in a vicious circle. Talent is leaving and they're hard to replace. Salary alone isn't enough to attract job seekers shopping around for the best benefits, bonuses and perks. Younger people are less interested in so-called "blue collar" work than previous generations. And many people incorrectly assume the industry isn't modern or innovative and there's some concern about the stability of a manufacturing career, given the reliance on temp workers to fill seasonal jobs.

Most Serious Skills Deficiencies in Current Employees:⁽⁶⁾

July-September 2017



The primary drivers of high turnover



WAGE STAGNATION

Show me the money.

For production and nonsupervisory employees in the manufacturing industry, hourly wages have only risen an average of \$3/hour over the last 10 years. In 2009, the average salary was \$18/hour, in 2019 it's \$21/hour.⁷



LACK OF TRAINING

There's no development plan.

Manufacturers are good at investing in new technologies, equipment and materials as well as optimizing their processes, but they're not always as good at building their people to the competencies of the job. Nearly 75% of companies don't have a talent development plan in place for manufacturing employees.⁸



WORKING CONDITIONS

Manual labor is no joke.

Yes, the most dangerous and strenuous jobs in manufacturing were the first to be automated, but most manufacturing jobs still involve repetitive, physically demanding work that can lead to injury. The increased mechanization means most plants are noisy, with limited opportunities for interaction among workers.



NATURAL ATTRITION

Blame it on the Baby Boomers.

Once America's largest generation (Millennials recently overtook the #1 spot), those born between 1946 and 1964 are retiring at a rate of 10,000 a day.⁹ There aren't enough people with the necessary desire and skills to fill those vacated jobs.

How to solve the turnover problem

ADDRESS THE CULTURE ISSUES

The most successful and profitable companies in manufacturing invest time and resources into establishing and maintaining a positive workplace culture. The building blocks of a strong culture include:

Employee experience programs:

If your employees understand their place in your organization and can see a future for themselves there, they're far more likely to be engaged. Here's what you need to know to [create the ideal employee experience](#).

Meaningful performance reviews and manager conversations:

The key word here is "meaningful." It's easy to get caught in the habit of pro-forma reviews that lead to very little action. Here are [six tips you can use right away](#) to improve performance reviews.

Reward and recognize:

Too often star employees don't perceive that the company appreciates their efforts. There are easy ways to fix that, but employee recognition does require a personal touch. To get started, learn about the [care and feeding of different personalities](#).



INVEST IN TRAINING

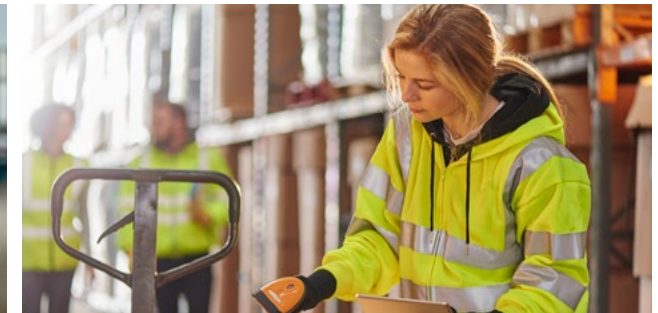
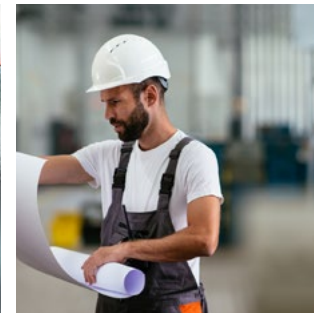
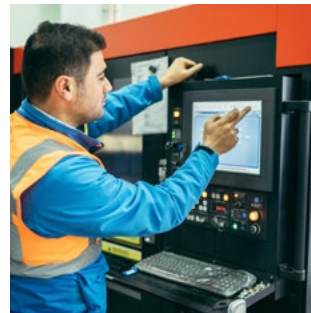
When you need to hire for skilled manufacturing positions, it's easy to fall into the trap of assuming that applicants are thoroughly trained. But remember even hyper-competent pros need onboarding to know the ins and outs of your particular organization and to feel part of the company's mission.

- Onboarding:** Employee engagement is an ongoing process. Download "[The First 90 Days: Engagement Checklist](#)" to get specific, practical tips for onboarding new employees even before they start.
- Learning & development:** Giving your employees every opportunity to learn and grow is one of the most effective ways to reduce turnover. It's worth [considering a learning management system](#) that offers virtual, classroom, mobile and social capabilities.

CONSIDER COMPLIANCE AND COMPENSATION

Manufacturers need to stay informed to ensure compliance and focus on making working conditions as agreeable as possible. Showcase how your facility goes the extra step to make sure employees are safe and secure. In addition to providing a compliant workplace, consider using a compensation strategy as a key part of employee recruitment and retention.

- Take a holistic approach:** [Think about compensation as more than just salary.](#) Take into account annual incentives, long-term incentives, benefits and perks. Review how your offering compares to your competitors.
- Have a true benefits strategy.** [Benefits play a huge role](#) in a candidate's decision-making. Don't overlook the importance of retirement benefits, life and disability insurance, vacation, health, dental and vision.
- Consider flexible scheduling.** If possible, offer [various options when it comes to scheduling.](#) iStock-659210084



Learning from turnover

Turnover can reveal a lot about your organization and it can be a great learning opportunity. You just have to ask the right questions and analyze it from multiple perspectives. Here's how to get started.

Turnover Rate: Build a basic understanding of how many employees leave your organization each year so you can benchmark your retention efforts over time.

Turnover Groupings Segmentation: Measuring your current turnover rates by pay, manager or length of service can help you identify problem areas and opportunities to improve.

Terminations and Hires: Track hires and terminations by month so you can measure how your hiring stacks up against turnover.

Turnover Trends: Breakdown turnover results over different time frames to find areas that are improving and declining. As you put in new retention programs, you'll be able to see how those programs performed.



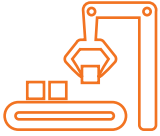
6 Reasons to Choose Paycor

1



258,000
manufacturing employees paid through Paycor

2



3,000+
manufacturers and growing



3



Award-winning
HCM platform

- Robust Applicant Tracking System
- Time Keeping and Advanced Scheduling
- Simplified Payroll Processing

4



30
Paycor has been serving the manufacturing community for 30 years

5




Proven track record
addressing key manufacturing challenges

- Turnover, staffing, absenteeism
- Reporting and compliance
- The skills deficit



6



Dedicated
implementation and client success team

How Paycor can help

Paycor is known for delivering the best HCM technology for medium and small businesses, and we have more than 30 years of dedicated expertise and experience in the manufacturing space. But what makes us legendary is the total client experience we provide, from responsive service and user-friendly design to expert partnership and thought leadership. Our unique combination of technology and expertise helps manufacturing organizations reduce turnover and optimize every aspect of their business, from recruiting and hiring to engaging and developing their people.

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